

Mio AuSable Schools

Mio, Michigan

Financial Statements

June 30, 2008

Mio AuSable Schools

June 30, 2008

Administration

Superintendent	Christina Siwik
----------------	-----------------

Board of Education

President	Paul Call
Vice President	Charles North
Secretary	Penny Irelan
Treasurer	Mark Grantner
Trustee	Patricia Ecola
Trustee	Ronald Thomey
Trustee	Kim Wright

Mio AuSable Schools

Table of Contents

Page

<b>Independent Auditor's Report</b>	1-2
<b>Administration's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements:</b>	
District-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Fund:	
Statement of Fiduciary Net Assets	14
Notes to Financial Statements	15-25
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund	26
<b>Other Supplemental Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	28
General Fund:	
Comparative Schedule of Revenues and Other Financing Sources	29
Comparative Schedule of Expenditures and Other Financing Uses	30-33
Special Revenue Funds:	
Combining Balance Sheet	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35
Trust and Agency Funds:	
Statement of Changes in Deposits Held for Others	36-37
Schedule of Bonded Indebtedness	38
Federal Awards Supplemental Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	39-40
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	41-42
Schedule of Findings and Questioned Costs	43
Schedule of Expenditures of Federal Awards	44-45
Schedule of Reconciliation of Revenues With Expenditures of Federal Awards	46



Rodney C. Robertson, CPA  
Robert J. Carpenter, CPA

## ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

### Independent Auditor's Report

Board of Education  
Mio AuSable Schools  
Mio, Michigan 48647

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mio AuSable Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mio AuSable Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mio AuSable Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2008 on our consideration of Mio AuSable Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 26 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Mio AuSable Schools basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.  
October 2, 2008

## Management's Discussion and Analysis

As management of Mio AuSable Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,217,681 (*net assets*). Of this amount, \$551,865 (*unrestricted net assets*) may be used to meet the District's ongoing obligations; \$240,809 is reserved for capital projects.
- The District's total net assets decreased by \$38,898.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,001,571, an increase of \$111,690 in comparison with the prior year. Approximately 83% or \$827,433 is available for spending at the District's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$736,319 or 11% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business-type activities as of and for the year ended June 30, 2008.

The district-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and one capital projects fund. Data from the other four non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-25 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 27-28 of this report.

### District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded its liabilities by \$4,217,681 at the close of the most recent fiscal year.

A portion of the District's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### District's Net Assets

	Governmental Activities 6/30/08	Governmental Activities 6/30/07
Current and Other Assets	\$1,773,570	\$1,639,640
Capital Assets, Net	3,451,014	3,544,126
Total Assets	5,224,584	5,183,766
Current Liabilities	779,320	757,253
Long-term Liabilities Outstanding	227,583	169,934
Total Liabilities	1,006,903	927,187
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,425,007	3,511,473
Restricted	240,809	135,326
Unrestricted	551,865	609,780
Total Net Assets	<b>\$4,217,681</b>	<b>\$4,256,579</b>

An additional portion of the District's net assets (6% or \$240,809) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net assets* (13% or \$551,865).



The District's net assets decreased by \$38,898 during the current fiscal year. The District's blended, three-year average enrollment is approximately 725 students, a decrease of 26 from 2006-2007.

### District's Changes in Net Assets

	<b>Governmental Activities 6/30/08</b>	<b>Governmental Activities 6/30/07</b>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$ 136,638	\$ 150,107
Operating Grants and Contributions	1,472,439	1,429,528
General Revenue:		
Property Taxes	1,943,333	1,852,502
State School Aid, Unrestricted	3,338,596	3,648,484
Interest and investment earnings	50,786	50,984
Other	56,743	76,654
<b>Total Revenue</b>	<b>6,998,535</b>	<b>7,208,259</b>
<b>Expenses:</b>		
Instruction	4,105,729	4,382,386
Support Services	2,344,006	2,515,100
Community Services	6,360	4,469
Food Service	321,945	320,900
Athletics	27,884	34,012
Interest on Long-Term Debt	1,277	1,353
Depreciation - Unallocated	230,232	229,796
<b>Total Expenses</b>	<b>7,037,433</b>	<b>7,488,016</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(38,898)</b>	<b>(279,757)</b>
Net Assets, Beginning of Year	4,256,579	4,536,336
<b>Net Assets, End of Year</b>	<b>\$4,217,681</b>	<b>\$4,256,579</b>

**Governmental activities.** Governmental activities decreased the District's net assets \$38,898.

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,001,571, an increase of \$111,690 in comparison with the prior year. Approximately 83% of this total amount (\$827,433) constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are reserved for capital projects and are not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$736,219. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 11% of total general fund expenditures.

The fund balance of the District's general fund increased by \$77,030 during the current fiscal year.

The Capital Projects Fund has a fund balance of \$95,559, an increase of \$45,002.

The Food Service Fund has a fund balance of \$90,798, an increase of \$1,892.

The Athletic Fund has a fund balance of \$6,270, a decrease of \$90.

The 2005 Capital Projects Fund has a fund balance of \$72,625, a decrease of \$12,144.

### **General Fund Budgetary Highlights**

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various District programs.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$3,451,014 (net of accumulated depreciation). Investment in capital assets includes land and buildings, vehicles and equipment. Additions totaled \$137,120 for the fiscal year. Additions included building improvements of \$113,993 and furniture and equipment of \$23,127.

**District's Capital Assets**  
(net of depreciation)

	6/30/08	6/30/07
Land Improvements	\$ -0-	\$ 46,110
Buildings and improvements	3,210,267	3,213,985
Buses	63,875	101,038
Furniture and Equipment	176,872	182,993
<b>Total</b>	<b>\$3,451,014</b>	<b>\$3,544,126</b>

Additional information on the District's capital assets can be found in note 5 on pages 21 and 22 of this report.

**Long-term debt.** The district currently has a 1998 Bond issue with an outstanding balance of \$55,632 in bonds. The District borrowed \$39,875 during the year to purchase lockers during the 2006-2007 fiscal year. The balance outstanding at June 30, 2008 on the installment purchase is \$26,007.

**Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2008-2009 fiscal year:

- The budget was prepared assuming there would not be an increase in the per pupil funding amount for 2008-2009. Operating costs such as utilities, health insurance, retirement costs and other contractual obligations have outpaced the growth of State Aid, creating an ongoing problem for the district.
- The pupil population for the Mio AuSable School District has been steadily declining. The blended pupil count for 2007-2008 was 724.9. The preliminary pupil blended pupil count for 2008-2009 is 701.5, a decrease of 23.4 pupils compared to the previous year. The budget was prepared using an estimated blended pupil count of 702.5.

**Requests for Information**

This financial report is designed to provide a general overview of the Mio AuSable School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mio AuSable Schools  
Superintendent's Office  
1110 W. Eighth Street  
Mio, Michigan 48647

Mio AuSable Schools  
BASIC FINANCIAL STATEMENTS

Mio AuSable Schools  
District Wide - Statement of Net Assets  
June 30, 2008

	<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets		
Cash and investments (Note 3)		\$ 839,296
Accounts receivable (Note 4)		3,956
Due from governmental units (Note 4)		924,364
Prepaid expenditures		-
Inventory		5,954
Total current assets		<u>1,773,570</u>
Noncurrent Assets		
Capital assets (Note 5)		7,773,752
Less: accumulated depreciation		<u>4,322,738</u>
Total noncurrent assets		<u>3,451,014</u>
Total assets		<u>\$ 5,224,584</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable		\$ 356,419
Salaries payable		414,125
Accrued interest		675
Deferred revenue (Note 4)		1,455
Bonds payable, Due within one year (Note 7)		<u>6,646</u>
Total current liabilities		<u>779,320</u>
Noncurrent Liabilities		
Bonds payable (Note 7)		55,632
Installment payable (Note 7)		19,361
Compensated absences (Note 7)		<u>152,590</u>
Total noncurrent liabilities		<u>227,583</u>
Total Liabilities		<u>1,006,903</u>
Net Assets		
Invested in capital assets, net of related debt		3,425,007
Restricted for capital projects		240,809
Unrestricted		<u>551,865</u>
Total Net Assets		<u>4,217,681</u>
Total Liabilities and Net Assets		<u>\$ 5,224,584</u>

See accompanying notes.

Mio AuSable Schools  
District Wide - Statement of Activities  
Year Ended June 30, 2008

Functions/programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
<b>Governmental Activities</b>				
Instruction	\$ 4,105,729	\$ -	\$ 1,245,521	\$ (2,860,208)
Support services	2,344,006	15,083	-	(2,328,923)
Community services	6,360	-	-	(6,360)
Food services	321,945	93,761	226,918	(1,266)
Athletics	27,884	27,794	-	(90)
Interest on long term debt	1,277	-	-	(1,277)
Depreciation - unallocated	230,232	-	-	(230,232)
<b>Total Governmental Activities</b>	<b>\$ 7,037,433</b>	<b>\$ 136,638</b>	<b>\$ 1,472,439</b>	<b>\$ (5,428,356)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
Property taxes, levied for general operations				\$ 1,794,595
Property taxes, levied for capital projects funds				148,738
State of Michigan aid, unrestricted				3,338,596
Interest and investment earnings				50,786
Other				56,743
<b>Total General Revenues</b>				<b>5,389,458</b>
<b>Change in Net Assets</b>				<b>(38,898)</b>
Net assets - beginning of year				4,256,579
Net assets - end of year				<b>\$ 4,217,681</b>

See accompanying notes.

Mio AuSable Schools  
Balance Sheet - Governmental Funds  
June 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Totals
<u>Assets</u>				
Cash and investments	\$ 539,695	\$ 137,439	\$ 162,162	\$ 839,296
Accounts receivable	3,956	-	-	3,956
Due from other governmental units	921,719	41	2,604	924,364
Due from other funds	1,475	-	1,132	2,607
Prepaid expenditures	-	-	-	-
Inventory	-	-	5,954	5,954
Total Assets	<u>\$ 1,466,845</u>	<u>\$ 137,480</u>	<u>\$ 171,852</u>	<u>\$ 1,776,177</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 315,269	\$ 41,150	\$ -	\$ 356,419
Accrued salaries and withholdings	414,125	-	-	414,125
Deferred revenue	-	-	1,455	1,455
Due to other funds	1,132	771	704	2,607
Total Liabilities	<u>730,526</u>	<u>41,921</u>	<u>2,159</u>	<u>774,606</u>
<u>Fund Balances:</u>				
Reserved for capital projects	-	95,559	72,625	168,184
Reserved for inventory	-	-	5,954	5,954
Unreserved and undesignated:				
General	736,319	-	-	736,319
Food Service	-	-	84,844	84,844
Athletic Fund	-	-	6,270	6,270
Total Fund Balances	<u>736,319</u>	<u>95,559</u>	<u>169,693</u>	<u>1,001,571</u>
Total Liabilities and Fund Balances	<u>\$ 1,466,845</u>	<u>\$ 137,480</u>	<u>\$ 171,852</u>	<u>\$ 1,776,177</u>
 Total Governmental Fund Balances				\$ 1,001,571
Elimination of due to and due from governmental funds				
Due to				2,607
Due from				(2,607)
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.				
The cost of capital assets is			\$ 7,773,752	
Accumulated depreciation is			<u>(4,322,738)</u>	
				3,451,014
Long term liabilities are not due and payable in the current period and are not reported in the fund				
1993 Bonds payable				(55,632)
Installment purchase payable				(26,007)
Compensated absences				(152,590)
Accrued interest is not included as a liability in governmental funds				<u>(675)</u>
 Net Assets of Governmental Activities				<u>\$ 4,217,681</u>

See accompanying notes.

Mio AuSable Schools  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Totals
Revenues:				
Local sources	\$ 1,904,289	\$ 155,317	\$ 127,894	\$ 2,187,500
State sources	3,743,101	-	20,370	3,763,471
Federal sources	785,075	-	206,548	991,623
Interdistrict sources	55,941	-	-	55,941
Total Revenues	<u>6,488,406</u>	<u>155,317</u>	<u>354,812</u>	<u>6,998,535</u>
Expenditures:				
Current:				
Instruction	4,041,434	-	-	4,041,434
Support services	2,044,893	859	350,636	2,396,388
Community services	6,360	-	-	6,360
Debt service	8,096	-	-	8,096
Capital outlay	13,146	109,456	14,518	137,120
Intergovernmental payments	297,447	-	-	297,447
Total Expenditures	<u>6,411,376</u>	<u>110,315</u>	<u>365,154</u>	<u>6,886,845</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>77,030</u>	<u>45,002</u>	<u>(10,342)</u>	<u>111,690</u>
Other Financing Sources (Uses):				
Loan proceeds	-	-	-	-
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	77,030	45,002	(10,342)	111,690
Fund Balances - Beginning of year	<u>659,289</u>	<u>50,557</u>	<u>180,035</u>	<u>889,881</u>
Fund Balances - End of year	<u>\$ 736,319</u>	<u>\$ 95,559</u>	<u>\$ 169,693</u>	<u>\$ 1,001,571</u>

See accompanying notes.



Mio AuSable Schools  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	111,690
--	----	---------

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(230,232)	
Capital Outlay		<u>137,120</u>	
			(93,112)

Loan proceeds are an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)		-
---	--	---

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		6,646
--	--	-------

Accrued interest is not included as a liability in governmental funds		173
--	--	-----

(Increase) in compensated absences are reported as expenditures when financial resources are used in the governmental funds, but reported when earned in the statement of activities		(64,295)
---	--	----------

Change in Net Assets of Governmental Activities	\$	<u><u>(38,898)</u></u>
---	----	------------------------

See accompanying notes.

Mio AuSable Schools  
Fiduciary Fund  
Statement of Fiduciary Net Assets  
June 30, 2008

Assets

Cash

\$ 69,229

Total Assets

\$ 69,229

Liabilities

Deposits held for others

\$ 69,229

Total Liabilities

\$ 69,229

See accompanying notes.

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mio AuSable Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

### **Reporting Entity**

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria includes significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not contain any component units.

### **District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect on interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year in which they are levied. Grants, categorical aid and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The Capital Projects Fund is used to record bond proceeds, tax, interest and other revenue and expenditures related to invoices specifically designated for constructing new facilities or renovating and improving existing facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletic Fund.

The 2005 Capital Projects Fund was established by resolution on October 10, 2005 to create a fund for the purpose of providing appropriations or transfers for acquiring, constructing, extending, altering, repairing, or equipping public improvements or buildings.

The 1998 Debt Service Fund is used to record State Aid for the payment of principal and interest of the 1998 Durant Bond issue.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

**Assets, Liabilities and Net Assets or Equity**

Deposits and investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advance to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the District was \$76,684,608 homestead and \$101,076,392 non-homestead. The District levied 17.7984 mills for operating purposes on non-homestead and .85 mills for the sinking fund on all property for 2007.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities and Net Assets or Equity (Continued)**

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days continue to be accrued and may be carried over from year to year. Upon retirement, layoff, termination or resignation, vacation days shall be compensated up to a maximum of forty days.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the District's financial statements.

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 2 - Stewardship, Compliance, and Accountability**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:			
Pupil Services	\$ 143,565	\$ 145,613	\$ 2,048
Instructional Staff	200,708	202,767	2,059
Business	60,166	61,563	1,397
Support Services - Central	59,782	59,883	101
Community Services	5,530	6,360	830

**Note 3 - Deposits and Investments**

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 839,296	\$ 69,229	\$ 908,525
Total	<u>\$ 839,296</u>	<u>\$ 69,229</u>	<u>\$ 908,525</u>

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings)	\$ 70,914
Investments (Michigan Liquid Asset Fund)	790,964
Investments (MM Funds)	46,647
	<u>\$ 908,525</u>

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 3 - Deposits and Investments (Continued)**

As of June 30, 2008, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 837,611	31 days

**Interest rate risk**

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District did not have any investments in commercial paper or corporate bonds.

**Concentration of credit risk**

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2008, the District's investments were in a pooled investment fund.

**Custodial credit risk - deposits**

In the case of deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, the District's bank balance of \$70,914 is covered by insurance.

**Custodial credit risk - investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2008. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk**

The District is not authorized to invest in investments which have this type of risk.



Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 4 - Receivables**

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Accounts receivable	\$ 3,956	\$ -	\$ -	\$ 3,956
Intergovernmental	921,719	41	2,604	924,364
Total receivables	<u>\$ 925,675</u>	<u>\$ 41</u>	<u>\$ 2,604</u>	<u>\$ 928,320</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -	\$ -
Prepaid student lunches	-	1,455
Totals	<u>\$ -</u>	<u>\$ 1,455</u>
 Total deferred revenue		 <u>\$ 1,455</u>

**Note 5 - Capital Assets**

Capital assets activity of the District's Governmental activities were as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Capital assets being depreciated:				
Land improvements	\$ 922,200	\$ -	\$ -	\$ 922,200
Buildings & improvements	5,459,079	113,993	-	5,573,072
Buses	628,779	-	-	628,779
Furniture & equipment	626,574	23,127	-	649,701
Subtotal	<u>7,636,632</u>	<u>137,120</u>	<u>-</u>	<u>7,773,752</u>

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 5 - Capital Assets (Continued)**

<u>Accumulated Depreciation</u>				
Land improvements	\$ 876,090	\$ 46,110	\$ -	\$ 922,200
Buildings & improvements	2,245,094	117,711	-	2,362,805
Buses	527,741	37,163	-	564,904
Furniture & equipment	443,581	29,248	-	472,829
Subtotal	<u>4,092,506</u>	<u>230,232</u>	<u>-</u>	<u>4,322,738</u>
Net capital assets being depreciated	<u>3,544,126</u>	<u>(93,112)</u>	<u>-</u>	<u>3,451,014</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 3,544,126</u>	<u>\$ (93,112)</u>	<u>\$ -</u>	<u>\$ 3,451,014</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 1,475	General Fund	\$ 1,132
Capital Projects	-	Capital Projects	771
2005 Capital Projects	-	2005 Capital Projects	704
Food Service Fund	1,132		
Total	<u>\$ 2,607</u>	Total	<u>\$ 2,607</u>

**Note 7 - Long-Term Debt**

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
1998 Issue	\$ 55,632	\$ -	\$ 55,632	\$ -
Installment purchase	32,653	(6,646)	26,007	6,646
Compensated absences	88,295	64,295	152,590	-
Total Governmental Activities	<u>\$ 176,580</u>	<u>\$ 57,649</u>	<u>\$ 234,229</u>	<u>\$ 6,646</u>

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 7 - Long-Term Debt (Continued)**

Annual debt service requirements to maturity for the General Obligation Bonds and Installment Purchases are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2009	\$ 11,889	\$ 2,509	\$ 14,398
2010	12,139	1,969	14,108
2011	12,400	1,417	13,817
2012	38,896	11,893	50,789
2013	6,315	301	6,616
Total	\$ 81,639	\$ 18,089	\$ 99,728

General Obligation Bonds payable at June 30, 2008 are comprised of the following issue:

General obligation bonds:

1998 Durant Non-Plaintiff serial bonds due in  
annual installments ranging from \$6,616 to  
\$31,222 through May 15, 2013: interest rate  
of 4.76%

	\$ 55,632
Total General obligation bonds	\$ 55,632

**INSTALLMENT PURCHASE**

Payable to:	Original Amount	Purchase	Principal Due
First Federal of N Michigan	\$ 39,875	Lockers	\$ 26,007
Annual payments of \$6,645 plus interest at 4.37% commencing November 25, 2006 and concluding November 25, 2011			

**Note 8 - Risk Management**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 8 - Risk Management (Continued)**

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

**Note 9 - Defined Benefit Pension Plan and Post Retirement Benefits**

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the district. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MPERS at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the MPERS result from implementing the effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74% for the period July 1, 2007 through September 30, 2007 and 16.72% for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan (MIP) members contribute at rates ranging from 3% to 4.3% of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$728,113, \$829,571 and \$811,176.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equal to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS pension plan discussed above.

**Note 10 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Mio AuSable Schools  
Notes to Financial Statements  
June 30, 2008

**Note 10 - Contingencies (Continued)**

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

**Note 11 - Capital Projects Fund**

The Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, Mio AuSable Schools have complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

## **Required Supplemental Information**

Mio AuSable Schools  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	2008	2008	Budgetary	Final Budget
	Original	Final	Basis	Over (Under)
<b>Revenues</b>				
Local sources	\$ 1,860,864	\$ 1,905,472	\$ 1,904,289	\$ (1,183)
State sources	3,604,630	3,692,635	3,743,101	50,466
Federal sources	808,626	782,555	785,075	2,520
Interdistrict sources	83,040	56,129	55,941	(188)
Loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Total Revenues	<u>6,357,160</u>	<u>6,436,791</u>	<u>6,488,406</u>	<u>51,615</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	3,011,960	3,223,036	3,174,267	(48,769)
Added needs	835,488	884,181	870,416	(13,765)
Support services:				
Pupil services	147,617	143,565	145,613	2,048
Instructional staff	213,780	200,708	202,767	2,059
General administration	414,085	370,371	368,788	(1,583)
School administration	430,766	305,774	284,966	(20,808)
Business	40,000	60,166	61,563	1,397
Operation & maintenance	552,449	577,000	566,751	(10,249)
Transportation	387,268	379,610	364,459	(15,151)
Support services-Central	27,043	59,782	59,883	101
Community services	5,239	5,530	6,360	830
Total Expenditures	<u>6,065,695</u>	<u>6,209,723</u>	<u>6,105,833</u>	<u>(103,890)</u>
<b>Other Financing (Uses)</b>				
Outgoing transfers & other transactions	<u>(307,777)</u>	<u>(307,715)</u>	<u>(305,543)</u>	<u>(2,172)</u>
Total Other Financing Uses	<u>(307,777)</u>	<u>(307,715)</u>	<u>(305,543)</u>	<u>(2,172)</u>
Excess of Revenues over (under) Expenditures and Other Financing (Uses)	(16,312)	(80,647)	77,030	157,677
<b>Budgetary fund balance - July 1, 2007</b>	<u>623,475</u>	<u>659,289</u>	<u>659,289</u>	<u>-</u>
<b>Budgetary fund balance - June 30, 2008</b>	<u>\$ 607,163</u>	<u>\$ 578,642</u>	<u>\$ 736,319</u>	<u>\$ 157,677</u>

## **Other Supplemental Information**



Mio AuSable Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Nonmajor Special Revenue Funds	
	Food Service	Athletics
<b>Assets</b>		
Cash and investments	\$ 82,563	\$ 6,270
Due from other governmental units	2,604	-
Due from other funds	1,132	-
Inventory	<u>5,954</u>	<u>-</u>
Total Assets	<u>\$ 92,253</u>	<u>\$ 6,270</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Accrued salaries	-	-
Deferred revenue	1,455	-
Due to other funds	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,455</u>	<u>-</u>
<b>Fund Balances</b>		
Reserved for capital projects	-	-
Reserved for inventory	5,954	-
Unreserved and undesignated	<u>84,844</u>	<u>6,270</u>
Total Fund Balance	<u>90,798</u>	<u>6,270</u>
Total Liabilities and Fund Balances	<u>\$ 92,253</u>	<u>\$ 6,270</u>

Nonmajor Capital Projects Fund	Nonmajor Debt Service Fund	Nonmajor Governmental Funds
2005	1998	Total
\$ 73,329	\$ -	\$ 162,162
-	-	2,604
-	-	1,132
-	-	5,954
<u>\$ 73,329</u>	<u>\$ 0</u>	<u>\$ 171,852</u>
\$ -	\$ -	\$ -
-	-	-
-	-	1,455
<u>704</u>	<u>-</u>	<u>704</u>
<u>704</u>	<u>-</u>	<u>2,159</u>
72,625		72,625
-	-	5,954
-	-	91,114
<u>72,625</u>	<u>-</u>	<u>169,693</u>
<u>\$ 73,329</u>	<u>\$ 0</u>	<u>\$ 171,852</u>

Mio AuSable Schools  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2008

	Nonmajor Special Revenue Funds	
	Food Service	Athletics
<b>Revenues</b>		
Local sources	\$ 96,919	\$ 27,794
State sources	20,370	-
Federal sources	206,548	-
	<u>323,837</u>	<u>27,794</u>
Total Revenues		
	<u>323,837</u>	<u>27,794</u>
<b>Expenditures</b>		
Current operations:		
Food service	321,945	-
Athletics	-	27,884
Support services	-	-
Debt service	-	-
Capital outlay	-	-
Intergovernmental payments		
	<u>321,945</u>	<u>27,884</u>
Total Expenditures		
	<u>321,945</u>	<u>27,884</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	1,892	(90)
<b>Other Financing Sources (Uses)</b>		
Operating transfers in (out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,892	(90)
<b>Fund Balance - Beginning of Year</b>	<u>88,906</u>	<u>6,360</u>
<b>Fund Balance - End of Year</b>	<u>\$ 90,798</u>	<u>\$ 6,270</u>

Nonmajor Capital Projects Fund	Nonmajor Debt Service Fund	Nonmajor Governmental Funds
2005	1998	Total
\$ 3,181	\$ -	\$ 127,894
-	-	20,370
-	-	206,548
3,181	-	354,812
-	-	321,945
-	-	27,884
807	-	807
-	-	-
14,518	-	14,518
-	-	-
15,325	-	365,154
(12,144)	-	(10,342)
-	-	-
-	-	-
(12,144)	-	(10,342)
84,769	-	180,035
\$ 72,625	\$ 0	\$ 169,693

Mio AuSable Schools  
General Fund  
Comparative Schedule of Revenues and Other Financing Sources  
Years Ended June 30, 2008 and 2007

REVENUES	2008	2007
Local Sources:		
Current property taxes	\$ 1,794,595	\$ 1,708,293
Penalties & interest on delinquent taxes	13,713	12,761
Earnings on investments	37,868	41,034
Other local revenue	58,113	97,682
Total Local Sources	<u>1,904,289</u>	<u>1,859,770</u>
State Sources:		
Grants - Unrestricted:		
State Aid	3,338,596	3,648,484
Grants - Restricted:		
At Risk	202,481	183,778
Special education	121,202	50,917
Driver education	-	-
MI School readiness	51,000	49,500
Nonplaintiff Durant settlement	9,422	9,422
Restricted-Other	10,030	19,306
Payments in lieu of taxes	10,370	24,291
Total State Sources	<u>3,743,101</u>	<u>3,985,698</u>
Federal Sources:		
Grants - Restricted:		
Received through State:		
Title I	253,976	276,190
Title IIA (Class size reduction)	78,763	78,463
Reading First	131,909	116,315
Title V	4,917	3,422
Title IID (Ed Tech)	498	2,368
Title VIB	15,076	22,286
Received through ISD:		
Other	188,880	225,112
Payments in lieu of taxes	111,056	109,301
Total Federal Sources	<u>785,075</u>	<u>833,457</u>
Interdistrict Sources:		
Other	55,941	56,257
Total Interdistrict Sources	<u>55,941</u>	<u>56,257</u>
TOTAL REVENUES	<u>6,488,406</u>	<u>6,735,182</u>
OTHER FINANCING SOURCES:		
Loan proceeds	-	39,875
Operating Transfers In	-	93,665
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>133,540</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ <u>6,488,406</u>	\$ <u>6,868,722</u>

Mio AuSable Schools  
General Fund  
Comparative Schedule of Expenditures and Other Financing Uses  
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
INSTRUCTION:		
BASIC PROGRAMS:		
Elementary:		
Salaries	\$ 959,054	\$ 939,567
Employee benefits	490,128	489,414
Purchased services	979	627
Supplies & materials	51,398	47,447
Capital outlay	-	-
Total Elementary	<u>1,501,559</u>	<u>1,477,055</u>
High School:		
Salaries	1,072,692	1,243,208
Employee benefits	558,354	607,087
Purchased services	1,574	2,920
Supplies & materials	36,839	53,784
Capital outlay	3,249	39,875
Total High School	<u>1,672,708</u>	<u>1,946,874</u>
TOTAL BASIC PROGRAMS	<u>3,174,267</u>	<u>3,423,929</u>
ADDED NEEDS:		
Special Education:		
Salaries	316,535	379,252
Employee benefits	156,148	183,342
Purchased services	269	840
Supplies & materials	3,694	1,402
Total Special Education	<u>476,646</u>	<u>564,836</u>
Compensatory Education:		
Salaries	259,949	270,734
Employee benefits	112,760	102,695
Supplies & materials	21,061	10,124
Total Compensatory Education	<u>393,770</u>	<u>383,553</u>
TOTAL ADDED NEEDS	<u>870,416</u>	<u>948,389</u>
TOTAL INSTRUCTION	<u>4,044,683</u>	<u>4,372,318</u>
SUPPORTING SERVICES:		
PUPIL SERVICES:		
Attendance:		
Salaries	28,897	28,611
Employee benefits	24,022	27,085
Total Attendance	<u>52,919</u>	<u>55,696</u>
Guidance:		
Salaries	61,798	60,923
Employee benefits	30,791	30,513
Supplies & materials	105	2,976
Total Guidance	<u>92,694</u>	<u>94,412</u>
TOTAL PUPIL SERVICES	<u>145,613</u>	<u>150,108</u>

Mio AuSable Schools  
General Fund  
Comparative Schedule of Expenditures and Other Financing Uses  
(Continued)  
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
SUPPORTING SERVICES:		
INSTRUCTIONAL STAFF:		
Improvement of Instruction:		
Salaries	\$ 64,977	\$ 66,273
Employee benefits	31,455	30,907
Purchased services	18,941	11,804
Supplies & materials	157	1,343
Total Improvement of Instruction	<u>115,530</u>	<u>110,327</u>
Educational Media Services:		
Salaries	40,256	41,026
Employee benefits	27,922	28,653
Purchased services	-	-
Supplies & materials	12,566	12,161
Total Educational Media Services	<u>80,744</u>	<u>81,840</u>
Supervision- Instructional Staff:		
Salaries	-	5,956
Employee benefits	-	-
Purchased services	-	4,345
Supplies & materials	601	1,243
Total Supervision-Instructional Staff	<u>601</u>	<u>11,544</u>
Academic Student Assessment		
Purchased services	2,096	-
Supplies & materials	3,796	7,175
Total Academic Student Assessment	<u>5,892</u>	<u>7,175</u>
TOTAL INSTRUCTIONAL STAFF	<u>202,767</u>	<u>210,886</u>
GENERAL ADMINISTRATION:		
Board of Education:		
Salaries	4,455	3,379
Purchased services	28,409	25,823
Other expenses	6,025	4,855
Total Board of Education	<u>38,889</u>	<u>34,057</u>
Executive Administration		
Salaries	209,251	202,864
Employee benefits	110,098	125,174
Purchased services	5,265	6,683
Supplies & materials	4,070	9,542
Other expenses	1,215	9,943
Total Executive Administration	<u>329,899</u>	<u>354,206</u>
TOTAL GENERAL ADMINISTRATION	<u>368,788</u>	<u>388,263</u>

Mio AuSable Schools  
General Fund  
Comparative Schedule of Expenditures and Other Financing Uses  
(Continued)  
Years Ended June 30, 2008 and 2007

SUPPORTING SERVICES:	<u>2008</u>	<u>2007</u>
SCHOOL ADMINISTRATION:		
Office of the Principal:		
Salaries	\$ 155,805	\$ 218,249
Employee benefits	83,794	147,028
Purchased services	12,834	10,114
Supplies & materials	29,707	43,864
Other expenses	371	4,290
Total Office of the Principal	<u>282,511</u>	<u>423,545</u>
Other School Administration:		
Supplies & materials	<u>2,455</u>	<u>1,780</u>
Total Other School Administration	<u>2,455</u>	<u>1,780</u>
TOTAL SCHOOL ADMINISTRATION	<u>284,966</u>	<u>425,325</u>
 BUSINESS:		
Employee benefits	11,341	4,552
Purchased services	2,686	2,827
Other expenses	47,536	26,493
TOTAL BUSINESS	<u>61,563</u>	<u>33,872</u>
 OPERATION & MAINTENANCE		
Salaries	157,682	153,595
Employee benefits	115,595	134,823
Purchased services	51,568	47,994
Repairs & maintenance	52,658	40,375
Supplies & materials	179,351	169,259
Other expenses	-	-
Capital outlay	9,897	5,506
TOTAL OPERATION & MAINTENANCE	<u>566,751</u>	<u>551,552</u>
 PUPIL TRANSPORTATION		
Salaries	183,624	188,143
Employee benefits	69,079	73,956
Purchased services	22,233	32,507
Supplies & materials	89,458	87,200
Other expenses	65	6
Capital outlay	-	-
TOTAL PUPIL TRANSPORTATION	<u>364,459</u>	<u>381,812</u>
 SUPPORTING SERVICES - CENTRAL:		
Staff and Personnel Services:		
Employee benefits	440	706
Purchased services	5,703	1,656
Total Staff and Personnel Services	<u>6,143</u>	<u>2,362</u>



Mio AuSable Schools  
General Fund  
Comparative Schedule of Expenditures and Other Financing Uses  
(Continued)  
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
SUPPORTING SERVICES:		
SUPPORTING SERVICES - CENTRAL:		
Supporting Services - Technology:		
Salaries	\$ 27,640	\$ 38,316
Employee benefits	12,576	26,547
Purchased services	6,687	6,812
Supplies & materials	<u>6,837</u>	<u>7,945</u>
Total Supporting Services - Technology	<u>53,740</u>	<u>79,620</u>
TOTAL SUPPORTING SERVICES - CENTRAL	<u>59,883</u>	<u>81,982</u>
 TOTAL SUPPORTING SERVICES	 <u>2,054,790</u>	 <u>2,223,800</u>
 COMMUNITY SERVICES:		
Salaries	590	754
Employee benefits	143	191
Purchased services	-	-
Supplies & materials	<u>5,627</u>	<u>3,524</u>
TOTAL COMMUNITY SERVICES	<u>6,360</u>	<u>4,469</u>
 TOTAL OPERATING EXPENDITURES	 <u>6,105,833</u>	 <u>6,600,587</u>
 OTHER FINANCING USES:		
Loan payments	8,096	7,727
Payment of other governmental units:		
Tuition and transportation	<u>297,447</u>	<u>295,749</u>
TOTAL OTHER FINANCING USES	<u>305,543</u>	<u>303,476</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ <u><u>6,411,376</u></u>	 \$ <u><u>6,904,063</u></u>

Mio AuSable Schools  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2008  
With Comparative Totals for June 30, 2007

	Food Service	Athletic	Totals	
			2008	2007
<b>Assets</b>				
Cash and investments	\$ 82,563	\$ 6,270	\$ 88,833	\$ 89,882
Due from other governmental units	2,604	-	2,604	2,806
Due from other funds	1,132	-	1,132	2,128
Inventory	5,954	-	5,954	2,024
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ <u>92,253</u>	\$ <u>6,270</u>	\$ <u>98,523</u>	\$ <u>96,840</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	1,455	-	1,455	1,574
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,455</u>	<u>-</u>	<u>1,455</u>	<u>1,574</u>
<b>Fund Balance</b>				
Reserved for inventory	5,954	-	5,954	2,024
Unreserved	<u>84,844</u>	<u>6,270</u>	<u>91,114</u>	<u>93,242</u>
Total Fund Balance	<u>90,798</u>	<u>6,270</u>	<u>97,068</u>	<u>95,266</u>
Total Liabilities and Fund Balance	\$ <u>92,253</u>	\$ <u>6,270</u>	\$ <u>98,523</u>	\$ <u>96,840</u>

Mio AuSable Schools  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances  
Year Ended June 30, 2008  
With Comparative Totals for June 30, 2006

	Food Service	Athletics	Totals	
			2008	2007
<b>Revenues</b>				
Revenue from Local Sources:				
Food service activities	\$ 96,919	\$ -	\$ 96,919	\$ 95,383
Athletic activities	-	27,794	27,794	31,967
State aid	20,370	-	20,370	23,526
Federal aid	206,548	-	206,548	179,074
	<u>323,837</u>	<u>27,794</u>	<u>351,631</u>	<u>329,950</u>
<b>Total Revenues</b>				
	<u>323,837</u>	<u>27,794</u>	<u>351,631</u>	<u>329,950</u>
<b>Expenditures</b>				
Food services	161,058	-	161,058	127,981
Athletic activities	-	27,884	27,884	34,012
Salaries	102,960	-	102,960	127,652
Employee benefits	57,927	-	57,927	65,267
Capital outlay	-	-	-	5,285
	<u>321,945</u>	<u>27,884</u>	<u>349,829</u>	<u>360,197</u>
<b>Total Expenditures</b>				
	<u>321,945</u>	<u>27,884</u>	<u>349,829</u>	<u>360,197</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	1,892	(90)	1,802	(30,247)
<b>Other Financing Sources (Uses)</b>				
Operating transfer in (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,892	(90)	1,802	(30,247)
<b>Fund balance - Beginning of Year</b>	88,906	6,360	95,266	125,513
	<u>88,906</u>	<u>6,360</u>	<u>95,266</u>	<u>125,513</u>
<b>Fund Balance - End of Year</b>	\$ 90,798	\$ 6,270	\$ 97,068	\$ 95,266
	<u>\$ 90,798</u>	<u>\$ 6,270</u>	<u>\$ 97,068</u>	<u>\$ 95,266</u>

Mio AuSable Schools  
Trust and Agency Funds  
Statement of Changes in Deposits Held for Others  
Year Ended June 30, 2008

	Balances July 1, 2007	Revenues	Expenditures	Balances June 30, 2008
Alumni Fund	\$ 1,476	\$ 2,183	\$ 1,776	\$ 1,883
Amazing Race	200	-	-	200
Art Department	313	-	-	313
Band	1,158	350	211	1,297
Baseball	4	16,128	15,703	429
Beverage Consortium	-	4,526	4,526	-
Board of Education	2,802	65,180	75,120	(7,138)
Bowling	781	75	750	106
Boy's Varsity Basketball	533	2,355	2,888	-
B.P.A.	1,978	3,048	3,460	1,566
Business Tech	480	550	159	871
Cheerleaders - Varsity	1,837	2,558	3,031	1,364
Cheerleaders - Jr. High	241	-	-	241
Drama	863	-	-	863
Drug Awareness	928	-	-	928
Elementary Assemblies	135	-	-	135
Elementary Field Trips	1,720	-	28	1,692
Elementary Pencils	489	494	415	568
Elementary PE	99	-	26	73
Elementary Special Projects	5,383	1,039	1,849	4,573
Elementary Technology	794	258	835	217
Foster Grandparents	270	-	30	240
Gift Fund	713	20	98	635
Girl's Basketball	912	3,010	2,293	1,629
High School Assemblies	3,132	447	431	3,148
K of C Special Education	912	661	58	1,515
Knowledge Bowl	124	-	-	124
Library	4,898	9,110	9,665	4,343
Mio Football	2,585	10,767	12,639	713
Mio Golf Team	487	-	-	487
Middle School Field Trips	525	-	102	423
Middle School News Writing	104	-	-	104
Miscellaneous	(1,348)	579	73	(842)
National Honor Society	49	1,009	859	199

Mio AuSable Schools  
Trust and Agency Funds  
Statement of Changes in Deposits Held for Others (Continued)  
Year Ended June 30, 2008

	Balances July 1, 2007	Revenues	Expenditures	Balances June 30, 2008
Newsriting- High School	\$ 221	\$ -	\$ -	\$ 221
North Star League	1,248	2,400	3,168	480
Pay To Play	-	1,930	1,930	-
Physics	23	-	-	23
Playground Equipment	1,986	-	332	1,654
PTO	7,427	13,542	14,521	6,448
Richardson Scholarship	10,000	354	354	10,000
Shop	635	536	500	671
Softball	932	514	1,062	384
Spanish Class	610	3,473	1,630	2,453
Student Senate - MS	396	-	-	396
Student Senate - HS	631	413	1,009	35
Summer School	900	675	975	600
Track	(59)	2,178	1,662	457
Track - Middle School	162	794	577	379
Volleyball	437	44	408	73
Wellness Grant	-	550	535	15
Wrestling	1,567	3,380	3,084	1,863
Yearbook-HS	343	12,391	11,961	773
Yearbook-MS	88	-	-	88
Youth in Government	1,391	2,854	3,434	811
Class of:				
2005	237	-	-	237
2006	164	-	-	164
2007	70	-	-	70
2008	3,317	5,343	8,661	(1)
2009	4,850	5,395	8,165	2,080
2010	150	1,948	-	2,098
2011	3,499	3,495	1,038	5,956
2012	1,551	1,945	325	3,171
2013	-	1,430	351	1,079
Sixth grade	-	2,654	2,270	384
Fifth grade	419	535	199	755
Fourth grade	786	2,673	2,898	561
Third grade	325	697	635	387
Second grade	218	375	477	116
First grade	1,146	620	727	1,039
Kindergarten	330	524	444	410
	\$ <u>81,577</u>	\$ <u>198,009</u>	\$ <u>210,357</u>	\$ <u>69,229</u>

Mio AuSable Schools  
Long Term Debt Account Group  
Schedule of Bonded Indebtedness  
June 30, 2008

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$94,218

Purpose of issue - School improvement Bonds that may be used for any purpose allowable under Section 1351a of Act 451 of the Public Acts of 1976, as amended ("Act 451"), being MCLA 380.1351a. Examples of allowable expenditures are the costs of purchasing, erecting, completing, remodeling, equipping, or reequipping, (except for equipping or reequipping for technology), school buildings, structures, athletic fields, playgrounds, developing or improving sites, purchase of school buses, and refunding of bonds. Assets acquired must have a useful life of at least as long as the life of the bond issue, in this case 15 years.

Type of issue - This bond is issued by resolution, is self liquidating, and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from State Aid payments designated for that purpose.

This bond is not subject to redemption to the maturity date.

Michigan Municipal Bond Authority issued a revised payment schedule on March 24, 2003 which deferred the original payments due for the fiscal years ending June 30, 2004 and 2005. The result of the deferral was no change in the total of interest or principal to be repaid.

Michigan Municipal Bond Authority issued a second revised payment schedule on May 10, 2007 which deferred the payments due for the fiscal years ending June 30, 2007 and June 30, 2008. The result of the deferral was no change in the total of interest or principal to be repaid.

<u>INTEREST RATE</u>	<u>FISCAL YEAR</u>	<u>ANNUAL INTEREST PAYMENT MAY 15</u>	<u>ANNUAL MATURITY MAY 15</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
4.76%	2008-09	\$ 1,373	\$ 5,244	\$ 6,617
4.76%	2009-10	1,123	5,493	6,616
4.76%	2010-11	862	5,755	6,617
4.76%	2011-12	11,628	32,825	44,453
4.76%	2012-13	301	6,315	6,616
		\$ <u>15,287</u>	\$ <u>55,632</u>	\$ <u>70,919</u>



# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Mio AuSable Schools  
Mio, Michigan 48647

We have audited the financial statements of Mio AuSable Schools as of and for the year ended June 30, 2008, which collectively comprise Mio AuSable Schools' basic financial statements and have issued our report thereon dated October 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mio AuSable Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mio-AuSable Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mio AuSable Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mio AuSable Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Education, management, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified agencies.

Robertson & Carpenter CPAs, P.C.  
October 2, 2008





## ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Mio AuSable Schools  
Mio, Michigan 48647

#### Compliance

We have audited the compliance of Mio AuSable Schools with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Mio AuSable Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mio AuSable Schools' management. Our responsibility is to express an opinion on Mio AuSable Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mio AuSable Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mio AuSable Schools' compliance with those requirements.

In our opinion, Mio AuSable Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Mio AuSable Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mio AuSable Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mio AuSable Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.  
October 2, 2008

Mio AuSable Schools  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiencies identified not considered  
to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements  
noted?        yes   X   no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiencies identified not considered  
to be material weaknesses?        yes   X   none reported

Type of auditor's report issued on  
compliance for major programs: unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

Dollar threshold used to distinguish  
between type A and type B programs:   \$300,000  

Auditee qualified as low-risk auditee?   X   yes        no

Section II - Financial Statement Findings

No matters (findings) were reported.

Section III - Federal Award Findings and Questioned Costs

No matters (findings) were reported.

Mio AuSable Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

Federal Grantor Pass Through Grantor/ Program Title & Grant Number <u>U. S. Department of Education</u>		<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>
Passed through M.D.E.:			
Title I	- Education Deprived		
0715300607	- Regular 2006-07	84.010	\$ 279,561
0815300708	- Regular 2007-08	84.010	331,275
Total			<u>610,836</u>
Title V	-Part A		
0702500607	-Carryover 2006-07	84.298	3,082
0802500708	-Regular 2007-08	84.298	4,919
Total			<u>8,001</u>
Title II	-Part D		
0742900607	-Carryover 2006-07	84.318	2,870
0842900708	-Regular 2007-08	84.318	3,221
Total			<u>6,091</u>
Reading First			
0729300607	-Carryover 2006-07	84.357	133,000
0829300708	-Regular 2007-08	84.357	139,725
Total			<u>272,725</u>
Title VI	-Part B		
0806600708	-Regular 2007-08	84.358B	21,457
Total			<u>21,457</u>
Title II	-Part A		
0705200607	-Carryover 2006-07	84.367	81,608
0805200708	-Regular 2007-08	84.367	84,326
Total			<u>165,934</u>
Passed Through Intermediate School Districts:			
MNN-Nutrition	-Regular 2007-08	10.551	1,000
PL 94-142 Flowthrough			
0704500607	-Carryover 2006-07	84.027	219,717
0804500708	-Regular 2007-08	84.027	185,596
Transition			
070490/ES	-TS 2006-07	84.027	1,659
080490/ES	-TS 2007-08	84.027	924
Perkins			
063540601406	-Regular 2005/06	84.048	500
Safe & Drug Free Schools			
0728600607	-Carryover 2006-07	84.186	1,450
0828600708	-Regular 2007-08	84.186	3,111
Tech Prep Education			
07354070146	-Regular 2006-07	84.243	2,229
Total			<u>416,186</u>
Total U.S. Department of Education			<u>1,501,230</u>

Accrued (Deferred) Revenue July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2008
\$ 62,737	\$ 232,650	\$ 1,322	\$ 64,059	\$ -
-	-	252,654	168,406	84,248
<u>62,737</u>	<u>232,650</u>	<u>253,976</u>	<u>232,465</u>	<u>84,248</u>
311	1,279	-	311	-
-	-	4,917	638	4,279
<u>311</u>	<u>1,279</u>	<u>4,917</u>	<u>949</u>	<u>4,279</u>
478	2,368	-	478	-
-	-	498	498	-
<u>478</u>	<u>2,368</u>	<u>498</u>	<u>976</u>	<u>-</u>
23,523	116,315	-	23,523	-
-	-	131,909	97,846	34,063
<u>23,523</u>	<u>116,315</u>	<u>131,909</u>	<u>121,369</u>	<u>34,063</u>
-	-	15,076	15,076	-
<u>-</u>	<u>-</u>	<u>15,076</u>	<u>15,076</u>	<u>-</u>
18,340	78,374	-	18,340	-
-	-	78,763	50,325	28,438
<u>18,340</u>	<u>78,374</u>	<u>78,763</u>	<u>68,665</u>	<u>28,438</u>
-	-	353	353	-
85,931	219,717	-	85,931	-
-	-	185,596	110,133	75,463
1,341	1,659	-	1,341	-
-	-	924	437	487
-	-	500	500	-
-	-	1,351	1,351	-
-	-	156	-	156
1,572	2,229	-	1,572	-
<u>88,844</u>	<u>223,605</u>	<u>188,880</u>	<u>201,618</u>	<u>76,106</u>
<u>194,233</u>	<u>654,591</u>	<u>674,019</u>	<u>641,118</u>	<u>227,134</u>

Mio AuSable Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>
U.S. Department of Agriculture		
Passed through M.D.E.:		
National School Lunch Program:		
071970 - Breakfast	10.553	\$ 4,475
081970 - Breakfast	10.553	42,803
Total		<u>47,278</u>
071950 - All Lunches	10.555	2,482
081950 - All Lunches	10.555	19,420
071960 - Free and Reduced	10.555	13,195
081960 - Free and Reduced	10.555	104,497
081980 - Snacks	10.555	572
Total		<u>140,166</u>
Food Distribution:		
Entitlement Commodities	10.550	17,892
Bonus Commodities	10.550	460
Total		<u>18,352</u>
Passed through the County:		
Schools and Roads - Grants to States	10.665	111,056
Total U.S. Department of Agriculture		<u>316,852</u>
 Total Federal Assistance		 \$ <u><u>1,818,082</u></u>

Notes:

1. The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting. Type A programs were identified using a \$300,000 threshold.
2. Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports.
4. The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.

Accrued (Deferred) Revenue July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2008
\$ -	\$ -	\$ 4,475	\$ 4,475	\$ -
-	-	42,803	42,803	-
-	-	47,278	47,278	-
-	-	2,482	2,482	-
-	-	19,420	19,420	-
-	-	13,195	13,195	-
-	-	104,497	104,497	-
-	-	572	572	-
-	-	140,166	140,166	-
-	-	18,644	18,644	-
-	-	460	460	-
-	-	19,104	19,104	-
-	-	111,056	111,056	-
-	-	317,604	317,604	-
\$ 194,233	\$ 654,591	\$ 991,623	\$ 958,722	\$ 227,134

Mio AuSable Schools  
Schedule of Reconciliation of Revenues With Expenditures  
of Federal Awards  
Year Ended June 30, 2008

	<u>AMOUNT</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ 991,623
Less: No adjustments required	<u>-</u>
	\$ <u>991,623</u>
 Federal expenditures per the schedule of expenditures of federal awards	 \$ <u>991,623</u>

Detail:

General Fund	\$ 785,075
Special Revenue Fund	<u>206,548</u>
	\$ <u>991,623</u>





# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

1

October 2, 2008

To the Board of Education  
Mio AuSable Schools  
Mio, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mio AuSable Schools for the year ended June 30, 2008 and have issued our report thereon dated October 2, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Mio AuSable Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As a part of obtaining reasonable assurance about whether Mio AuSable Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Mio AuSable Schools' compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Mio AuSable Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Mio AuSable Schools' compliance with those requirements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on August 6, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mio AuSable Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Mio AuSable Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, P.C.